INDUSTRY SECTOR ANALYSIS

HEALTHCARE MEDICAL MARKET IN TURKEY

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TURKEY'S HEALTHCARE MEDICAL MARKET- 2005

SUMMARY

Turkey, having a population of 70 million people, is a growing market for the medical products and services sectors. In fiscal year 2005, US$ 4.016 billion was allocated to the Turkish Ministry of Health by the Government of Turkey (GOT). The Ministry of Health (MOH) budget for FY 2005 showed a 15.07% increase compared to that of FY 2004. The Ministry's budget stood at around 1.13% of the Gross National Product in 2005. Additionally, in FY 2005 consolidated budget, the GOT, allocated US$ 2.552 billion to spending on healthcare, for the purchase of goods and services.

Compared to other OECD countries Turkey has a low profile, in terms of health expenditures. However, when health expenditures are considered as percent of the GDP, the country is viewed at a higher level. Thus, as a percent of GDP devoted to health expenditures, Turkey is on average with its peers.

There are 1,191 hospitals, 4,095 independent laboratories and 19,627 physician offices in Turkey. More than 90% of the hospitals are owned by the public; generally by the Ministry of Health. The bed capacity was 180,797 in 2003 and it is targeted to reach 200,000 by the end of 2005, within the scope of the VIII. Five Years Development Plan. The total number of medical equipment owned by the Ministry of Health and other health related institutions, from year-end 2003, was as follows:

Computerized Tomograph: 516
Magnetic Rezonans: 211
Ultrasonograph: 3063
Scintigraphy: 157

Mammograph: 456
Gastroscope: 492
Laparoscope: 623
EEG: 288

More than 60 % of the health expenditures are devoted to medical services alone, while medical devices constitute a smaller portion of the total overall health expenditure budget. Major health services are provided by both public and private hospitals. Approximately 40% of in-patient and 56% of the outpatient expenses are financed by the public sources.

The Medical Market in Turkey depends on imports on a large scale and U.S products have a significant share in this growing market. Clinical laboratory equipment, reagents, ultrasonic scanning apparatus, scintigraphic apparatus, optical devices, endoscopes and disposables are among the products that are heavily imported from the U.S.A. Due to the expansion of the private sector investments and new state hospital projects, American companies will increase their share in the Turkish Medical Market.

General Comments on Healthcare System

The health care system is complex and inefficient with a wide array of service providers, financiers and organization arrangements. Both financing and provision are highly fragmented. There are marked geographical inequities. Infant mortality rate is around 0.28%, which is higher than the European average and the life expectancy rate is around 70 years.

A substantial portion of health care services is provided by the public sector. Turkey has three main social security/public health care providers:

-SSK (Social Insurance Organization): The SSK is a social insurance organization for both blue and white-collar workers and their families. It functions as an insurer. SSK covers an estimated 52% of the population.

-Government Employees Retirement Fund (Emekli Sandigi) covers around 15% of the population.

-BAGKUR (Social Insurance Agency for Merchants, Artisans and Self Employed) covers an estimated 23% of the population.

Health spending is measured to be between USD 112 and USD 202 per person. Turkey needs to increase funding for healthcare, in both public and private sectors. The Social Security Institutions' health expenditures for the year 2004 are as follows (million YTL):

Government Employees Retirement Fund: 3,705
SSK: 6,413
BAGKUR: 3,860
Green Card (inpatient): 642
Green Card (outpatient): 360
Total: 14,644

All of the health insurance programs require a certain amount of patient contribution or cost sharing. The patients having green cards are exempt from this requirement.

Turkey aims to create a national primary healthcare network of health centers and health posts. The Service Delivery Reform seeks to decentralize hospital management and strengthen the primary care system by emphasizing family physicians. Within the framework of this approach, preventive services and the primary level curative services will be provided by the family physicians. Family physicians will work in private practices according to a set of minimum standards and will be paid on a per capita basis.

MARKET OVERVIEW

The medical equipment market in Turkey is estimated to be around US$ 3 billion. The United States maintains the largest market share among imports and is strong in radiology, surgical equipment and supplies, pathology and laboratory equipment, and hospital furnishings. The U.S.A. is followed by the EU member countries and Japan.

The largest single buyer of medical products is the Ministry of Health and its healthcare facilities. Teaching hospitals, university hospitals, and the private hospital system, as well as private physicians' offices are also among potential buyers of U.S. medical products.

Market growth for medical products is expected to continue due to the expansion of private sector health care services, rising expectations among patients, and efforts of some private hospitals towards attracting foreign patients. Modern private hospitals in Istanbul, Ankara and Izmir have set new standards for the health sector in Turkey. Many existing hospitals are launching renovation projects in order to compete. The private sector strives to import equipment with advanced technology, an area where the United States has a good reputation. In addition, Turkey is looking to leverage its location at the crossroads of Europe, the Middle East and Central Asia to advance health care tourism to Istanbul and other major health care delivery sites throughout Turkey. A number of private clinics have been attracting foreign patients undergoing treatments ranging from cardiology to cosmetic surgery.

MARKET STRATEGY

Most medical equipment suppliers prefer to appoint national and, usually, exclusive distributors in Turkey. The distributor/importer is knowledgeable about shipping products into Turkey, and about building a good reputation with Turkish customers. Currently a large majority of U.S. manufacturers use exclusive distributors to export to Turkey. Prospective agents should be selected on the basis of their organizational and technical ability to support a manufacturer's products in Turkey's own unique national environment. They should be evaluated over time to be sure that they have also earned the respect of customers. The distributor is responsible for advising the manufacturer about the customers' preferences and specific sales requirements. In interviews with hospital buying offices in Turkey, a manufacturer's performance was equated with the performance of its distributor. In short, a good distributor is the single most important key to success in this market. The critical need, therefore, is to be cautious in the selection of a Turkish distributor.

Due to the critical geographic location of the country, Turkey is the main gate the Eurasian Region. Through joint ventures or other types of partnerships, American companies can tap the demand in the emerging markets of the Eurasian Region. A number of local Medical Device Manufacturers express their interest in forming partnerships with the American manufacturers to penetrate the growing demand in the neighbouring countries.

BEST GROWTH PROSPECTS

Turkish Medical Devices and Services Industry is growing at a fast pace. The total bed capacity is expected to be 200,000 by the end of 2005, which has increased more than 10% compared to that of year 2003. Privatization and transformation of the healthcare system and the ongoing hospital projects of the Ministry of Health will also bring export opportunities. As Turkey continues to expand the number of private hospitals, the purchase of advanced medical equipment will continue. The Commercial Service in Ankara works closely with several private hospitals, the Ministry of Health, local associations and medical device manufacturers in identifying supply sources for their equipment needs.

Following medical devices constitute the best growth prospects for the American companies:

Disposable products, advanced med/surg equipment including angio-cath facilities, radiology, pathology, electronic diagnostic equipment, optical devices, parts and components of the medical devices, electronic instruments and appliances for physical and chemical analysis, vaccines, orthotic and prosthetic equipment, OR/ER systems.

COMPETITIVE ANALYSIS

Although Turkish Medical Market depends on imports on a large scale, the local industry is also developing. The local Medical Devices and Supplies Industry has been growing due to the increasing demand and new investments in the private and public sectors. In the present time, around 15000 companies operate in the local medical industry. There are around 100 large-medium scaled medical device manufacturers in Turkey apart from various small-scaled ones.

In the present wing medical devices are manufactured in Turkey:

Almost 85% of the domestic sales are import based and a very high percentage of the local medical companies are acting as importers. These companies generally sign exclusive distributorship agreements with the foreign medical companies. The distributorship agreement can also be limited to a specific product group.

Apart from local competition American companies also receive competition from European, Japanese and Chinese companies. As the market has price sensitivity, medical devices manufactured in China, having lower prices, are highly demanded. Especially for Class I medical devices, Chinese companies have a significant marketing power. Due to the CE Marking requirements, European companies are also in an advantageous position, compared to the American companies. That is why; it is critical for the American companies to be informed about the CE marking regulations and the procedures to be followed in getting the CE mark.

Even though the market is price sensitive and competitive, U.S. products are always in demand due to the quality concerns. Especially cutting edge, high-technology equipments are procured from the EU member countries, Japan and the U.S.A. Long term warranty and service agreements also play a crucial role in the selection of the equipment.

Following medical equipments and disposables are locally manufactured:
Operating tables, operating lamps, patient monitors, electrocoters, gynecology tables, aspirators, Oxygen devices, x-rays and accessories, etilen-oxide, air sterilizers, medical gas systems, mixers, patient beds, hospital information systems, surgical equipments, tubing sets, cannuls, blood bags, injectors, operating gloves, sutures, x-ray solutions, blood pressure transducers etc…

STATISTICAL INFORMATION

- Market Size for Medical Equipment (in US$ billion): 3 (estimated)

- Total population: (estimated figure for the end of 2005): 70,668,000

- Number of Hospitals: 1,191
  Independent Labs: 4095
  Physician Offices: 19627

- Total Bed Capacity:

  2003: 180,797
  2005: 200,000 (estimated)

- Number of physicians:

  2003: 95,190
  2005: 89,000 (estimated)

EXPORT-IMPORT FIGURES

USD Millions	2004	2005 (estimated)
Total Market Size	2,800	3,000
Total Local Production	NA	NA
Total Exports	278	380
Total Imports	2,211	1,800
Imports from the U.S.	345	390

Source: State Statistics Institute, CS/Turkey industry contacts, and industry association estimates.
Exchange rate used: New TL 1.4 = $1

IMPORT FIGURES FOR PARTICULAR MEDICAL DEVICES IMPORTED FROM THE U.S.A / 2005

HS CODE	DEVICE	EXPORT FIGURE/ US$
382200009000	Reagents-reactives	22.892.428
901812000000	Ultrasonic Scanning Apparatus	6.686.123
901813000000	Magnetic Resonance Imaging Apparatus	8.285.451
901814000000	Scintigraphic Apparatus	7.175.123
901819900025	Parts and components of electro diagnostic equipment	3.249.852
901839	Syringes, needles, tubular metal needles, sutures etc.	15.535.981
901850	Optical devices	11.372.234
90189020	Endoscopes	7.541.919

Source: State Statistics Institution

TRANSFORMATION OF THE HEALTH SYSTEM IN TURKEY

Turkey relies on imports for a large portion of its sophisticated medical equipment needs. The "Health Reform Project" of the 1990's foresaw a gradual privatization of hospitals and the introduction of the "family physician" system. The reform program comprises service delivery, finance, administration/management, human resources, the establishment of a national health academy and the creation of a management information system in the health care services sector.

As the second phase of the program, the GOT has engaged in a project with the World Bank worth US$ 200 million involving the transformation of the healthcare system in Turkey. Five major goals are pursued within the scope of this project:

1) Reconstructing the administrative and functional structure of the Ministry of Health, giving autonomy to the independent units (hospitals, polyclinics, etc.)
2) Establishing a unified social insurance system
3) Establishing a family practitioner system
4) Establishing a health accreditation system
5) Establishing an electronic health information system

REGULATORY REGIME

New Medical Device Regulations in Turkey - Turkey Adopts European Union Industrial Directives (CE Marking)

Turkey is in a transition phase and has adopted the New Approach Directives of the European Union. According to the New Approach Directives, medical devices fall under one of the three directives.

90/385/EEC Medical Devices: Active Implantable,
93/42/EEC Medical Devices: General,
98/19/EC Medical Devices: In Vitro Diagnostic

All medical devices, imported or locally produced, must be CE marked in order to be sold into the Turkish market. Custom made medical devices intended for clinical investigations and made available to specialist doctors, and the medical devices that will be displayed during fairs and exhibitions do not have this requirement of needing the CE mark.

Equipment meeting the directive definition of products needing to conform to EU technical regulations must have evidence of meeting the requirements either through verified laboratory testing conducted by an EU approved notified body or by a manufacturer's self-declaration if the directive dictates. Companies selling to the Turkish market must submit evidence of conformity compliance (CE Mark) either by providing a notorized/consularized conformity certificate from a notified body or a manufacturer's issued certificate of conformity, which declares compliance of all relevant standards and directive annexes

MOH bans the importation of used/refurbished medical devices.

Duties

Turkey, being a member of the Customs Union, does not impose any duties to the CU member countries. Most of the analytical and clinical laboratory devices imported from the developed countries (including the U.S.A.) are also duty free.

Procurement practices

All public procurements are subject to the Public Procurement Law No: 4734-4735 and the related directives, which establish the principles and procedures to be applied in procurements held by all public entities and institutions governed by public law or under public control or using public funds. For detailed information please visit http://www.kik.gov.tr/index2.htm

TRADE SHOWS

EXPOMED 2006
http://www.tuyap.com.tr/eng_index.php

13th International İstanbul Medical Analysis, Diagnosis, Health Care, Hospital Supplies and Rehabilitation Aids Fair, 23-26 March 2006, Istanbul

LAB-TECH
http://www.tuyap.com.tr/eng_index.php
9[TH] International Istanbul Laboratory Technology and Equipment Fair, 23-26 March 2006, Istanbul

MEDIST 2006
http://www.cnr-medist.com/
5[th] International Medical Products, Laboratory & Hospital Equipments Exhibition will take place on 01-03 September 2006, in Istanbul.

CONTACT LISTS

a) Trade and Professional associations

SEIS (Turkish Health Industry Employer's Association)
Address: Saglik 1 Sokak No:59/15 Yenisehir 06420 Ankara/ Turkey
Tel: +[90] (312) 430-6563
Fax: +[90] (312) 430-6183
http://www.seis.org.tr/

SADER (Healthcare Products Manufacturers and Representatives Association)
Address: Adakale Sokak 28/13 Kizilay-ANKARA / TÜRKIYE
Tel: (0 312) 433 77 88
Faks: (0 312) 433 46 33
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Turkish Pharmaceutical Industry Association
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Address: Otello Kamil Sok. No: 16 K: 3
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New Hope in Health Foundation
Address: Kirlangic Sokak No: 43/1-3 06700 GOP ANKARA
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www.suvak.org.tr

b) Information sources (U.S. Embassy, etc)

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Phone: [+90] (312) 455-5555/2569
http://www.buyusa.gov/turkey/en

c) Useful Websites:
www.saglik.gov.tr,
www.sader.org.tr,
http://www.buyusa.gov/turkey/en
www.sabem.saglik.gov.tr
http://www.gumruk.gov.tr/tariff/list2.htm